

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

PHI ACQUISITIONS NSA

Docket No. MC2014-21

PHI ACQUISITIONS NSA

Docket No. R2014-6

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 2**
(March 27, 2014)

The United States Postal Service hereby provides its responses to Chairman's Information Request (CHIR) No. 2, issued March 21, 2014. Responses were due by March 26, 2014. Attached are the responses to Questions 2-4. A response to Question 1 is forthcoming. Each question is reprinted verbatim in the attached, and is followed by the Postal Service's response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing and Product Support

Elizabeth A. Reed

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1137
(202) 268-3179, Fax -6187
March 27, 2014

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 2

2. Please confirm that the rebate tiers will be applied in a graduated manner (*i.e.*, if volume increased 15 percent above the quarterly baseline threshold in a given quarter, two-thirds of that volume would receive a 10 percent rebate and one-third would receive a 15 percent rebate). If not confirmed, please explain.

RESPONSE:

Confirmed.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 2

3. The Agreement gives PHI a 20 percent rebate on eligible volume greater than 18 percent above quarterly baseline thresholds. These rebates are referred to as Tier C rebates. *Id.* at 7.
 - a. Please confirm that for years 4 and 5 of the Agreement, the unit contribution for volumes qualifying for Tier C rebates is 0.2 cents and 0.3 cents respectively. If not confirmed, please explain.
 - b. Please explain any contingencies built into the Agreement that ensure discounted volume contribution exceeds estimated unit cost.

RESPONSE:

- a. Confirmed.
- b. The Agreement states under Section V.D. Termination, “(vii) the determination by the USPS at the end of any Agreement Year, based on published USPS cost data, that the agreement failed to produce positive contribution to USPS fixed costs from the total incremental NSA volume in that year”.

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
CHAIRMAN'S INFORMATION REQUEST NO. 2

4. The Postal Service states that "[t]he NSA applies to pieces mailed as Standard Mail Carrier Route; therefore, all volume under the NSA is subject to the postal monopoly." *Id.* Attachment E at 5. Please explain how the catalogs mailed under the Agreement are subject to the postal monopoly.

RESPONSE:

The term "postal monopoly" in this instance refers to the Private Express Statutes (PES). Assuming one of the exceptions to classification as letters does not apply, the catalogs mailed under this Agreement are covered by the PES.